

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Beaverton Area Fire Protection District	County Gladwin
Fiscal Year End March 31, 2006	Opinion Date June 10, 2006	Date Audit Report Submitted to State September 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

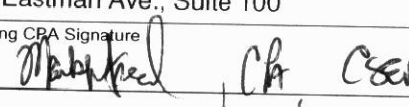
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721	
Street Address 5915 Eastman Ave., Suite 100		City Midland	State MI
Authorizing CPA Signature 		Zip 48640	License Number 1101012221
Printed Name Mark R. Freed			

**BEAVERTON AREA
FIRE PROTECTION DISTRICT
GLADWIN COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

BEAVERTON AREA FIRE PROTECTION DISTRICT

Board Members

City of Beaverton

Clark Wentz
Jerry Malosh

Beaverton Township

Madalyn Hubble
Jan Posey

Tobacco Township

Craig Bergman
James Andrist

Fire Chief

Tim Illig

Administrator

Jill Nau

BEAVERTON AREA FIRE PROTECTION DISTRICT

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Independent Auditors' Report

Members of The Administrative Board
Beaverton Area Fire Protection District
Gladwin County, Michigan

We have audited the accompanying financial statements of the Beaverton Area Fire Protection District (the "District"), Gladwin County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Administrative Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Beaverton Area Fire Protection District, Gladwin County, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan
June 10, 2006

BEAVERTON AREA FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
March 31, 2006

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 124,192	\$ -	\$ 124,192
Prepaid insurance	2,514	-	2,514
Capital assets, net	-	462,443	462,443
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 126,706	\$ 462,443	589,149
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable	\$ 1,927	\$ -	1,927
Deferred revenue	21,575	-	21,575
Installment purchase contracts	-	235,026	235,026
	<hr/>	<hr/>	<hr/>
Total Liabilities	23,502	235,026	258,528
	<hr/>	<hr/>	<hr/>
FUND BALANCE/NET ASSETS			
Fund balance			
Reserved - prepaid expenses	2,514	(2,514)	-
Unreserved:			
Undesignated	100,690	(100,690)	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	103,204	(103,204)	-
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 126,706		
	<hr/> <hr/>		
Net Assets			
Invested in capital assets, net of related debt		227,417	227,417
Unrestricted		103,204	103,204
		<hr/>	<hr/>
Total Net Assets		\$ 330,621	\$ 330,621
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

BEAVERTON AREA FIRE PROTECTION DISTRICT
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES			
Local contributions			
City of Beaverton	\$ 20,776	\$ -	\$ 20,776
Beaverton Township	43,150	-	43,150
Tobacco Township	95,889	-	95,889
State and Federal Grants	5,900		5,900
Interest income	216	-	216
Miscellaneous Income	20	-	20
	<hr/>	<hr/>	<hr/>
Total revenues	165,951	-	165,951
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Salaries and wages	20,978	-	20,978
Accounting	4,028	-	4,028
Contracted services	3,000	-	3,000
Gas and oil	2,265	-	2,265
Hepatitis B	19	-	19
Insurance	18,927	-	18,927
Meetings and training	1,272	-	1,272
Office supplies	1,268	-	1,268
Operating supplies	9,525	-	9,525
Operating lease	1	-	1
Rent	4,000	-	4,000
Repair and maintenance	8,631	-	8,631
Telephone	2,167	-	2,167
Utilities	5,636	-	5,636
Capital outlay	21,673	(21,673)	-
Depreciation	-	58,551	58,551
Debt service:			
Principal payments - Fire pumper	23,974	(23,974)	-
Interest payments - Fire pumper	12,390	-	12,390
	<hr/>	<hr/>	<hr/>
Total expenditures	139,754	12,904	152,658
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	26,197	(12,904)	13,293
	<hr/>	<hr/>	<hr/>
Fund balance/Net assets, beginning of year	77,007	240,321	317,328
	<hr/>	<hr/>	<hr/>
Fund balance/Net assets, end of year	\$ 103,204	\$ 227,417	\$ 330,621
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Beaverton Area Fire Protection District (the "District") conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

A. Reporting Entity

The District operates under a joint agreement created by the City of Beaverton, the Township of Beaverton and the Township of Tobacco in Gladwin County, Michigan. The agreement was created in 1971 to form a fire protection district comprising the entire area of these three governmental units. The District is governed by an Administrative Board with each unit of government appointing two members to the Board. Consequently, the District's ability to provide services is dependent upon the continued support of these three units of government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Equipment	3-5 years
Vehicles	25 years

Fund Balance

The District reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The District does not follow encumbrance accounting. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level.

During the year, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Gas and oil	\$ 2,253	\$ 2,265
Office supplies	1,057	1,268
Repair and maintenance	8,517	8,631
Telephone	2,127	2,167
Utilities	5,195	5,636

NOTE 3. DEPOSITS AND CASH EQUIVALENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal direct investment by local units of government in Michigan.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 3. DEPOSITS AND CASH EQUIVALENTS (continued)

The District's deposits and investments are in accordance with statutory authority.

Cash and Cash Equivalents, as of March 31, 2006, consist of cash in bank checking, savings, and certificates of deposit accounts totaling \$124,192, which is entirely covered by federal deposit insurance.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At year end, the District had \$0 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the District had no investments.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The District's current investments have no potential interest rate risk.

NOTE 4. RELATED PARTY TRANSACTIONS

The District entered into a lease agreement with Tobacco Township, Gladwin County for the use of a 2002 Ford Fire Truck. The lease agreement is for five years and requires the District to pay Tobacco Township \$1 per year plus annual insurance and maintenance costs.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 5. CAPITAL ASSETS

Capital asset activity of the District for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated: Equipment and Vehicles	\$ 758,875	\$ 21,673	\$ -	\$ 780,548
Subtotal	<u>758,875</u>	<u>21,673</u>	<u>-</u>	<u>780,548</u>
Less Accumulated Depreciation for:				
Equipment and Vehicles	259,554	58,551	-	318,105
Subtotal	<u>259,554</u>	<u>58,551</u>	<u>-</u>	<u>318,105</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 499,321</u>	<u>\$ (36,878)</u>	<u>\$ -</u>	<u>\$ 462,443</u>

NOTE 6. ECONOMIC DEPENDENCY

Revenue appropriations from the City of Beaverton, the Township of Beaverton and the Township of Tobacco during the year ended March 31, 2006, represented approximately 97% of the District's total revenue. The revenue amounts of each governmental unit are determined on a proportional basis with City of Beaverton contributing 13%, the Township of Beaverton contributing 26% and the Township of Tobacco contributing 58% of the appropriated revenue.

BEAVERTON AREA FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 7. LONG TERM DEBT

The individual fund long-term debt and other general long-term obligations of the District and the changes therein, are summarized as follows:

	April 1, 2005	Additions (Reductions)	March 31, 2006
Loan #97-01 – USDA (RD)	\$ 166,000	\$ (13,987)	\$ 152,013
Loan #97-03 – USDA (RD)	93,000	(9,987)	83,013
Total Long-Term Debt	<u>\$ 259,000</u>	<u>\$ (23,974)</u>	<u>\$ 235,026</u>

Year ended March 31,	Amounts
2007	\$ 14,000
2008	14,000
2009	14,000
2010	14,000
2011	14,000
Thereafter	165,026
	<u>\$ 235,026</u>

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workplace injuries (workers compensation). The District purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage.

BEAVERTON AREA FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	(Over) Under Budget
REVENUES				
Local contributions:				
City of Beaverton	\$ 20,776	\$ 20,776	\$ 20,776	-
Beaverton Township	43,150	43,150	43,150	-
Tobacco Township	95,889	95,889	95,889	-
State and Federal Grants	5,900	5,900	5,900	-
Interest	216	216	216	-
Miscellaneous Income	20	20	20	-
Total revenues	<u>165,951</u>	<u>165,951</u>	<u>165,951</u>	<u>-</u>
EXPENDITURES				
Salaries and wages	21,704	21,704	20,978	726
Accounting	4,028	4,028	4,028	-
Contracted services	3,000	3,000	3,000	-
Gas and oil	2,253	2,253	2,265	(12)
Hepititus B	53	53	19	34
Insurance	18,930	18,930	18,927	3
Meetings and training	1,272	1,272	1,272	-
Office supplies	1,057	1,057	1,268	(211)
Operating supplies	9,913	9,913	9,525	388
Operating lease	1	1	1	-
Rent	4,000	4,000	4,000	-
Repair and maintenance	8,517	8,517	8,631	(114)
Telephone	2,127	2,127	2,167	(40)
Utilities	5,195	5,195	5,636	(441)
Capital outlay	21,673	21,673	21,673	-
Depreciation expense	-	-	-	-
Debt service:				
Principal payments - Fire pumper	23,974	23,974	23,974	-
Interest payments - Fire pumper	12,390	12,390	12,390	-
Total expenditures	<u>140,087</u>	<u>140,087</u>	<u>139,754</u>	<u>333</u>
Excess of revenues over expenditures	25,864	25,864	26,197	<u>\$ (333)</u>
Fund balance, beginning of year	<u>77,007</u>	<u>77,007</u>	<u>77,007</u>	
Fund balance, end of year	<u>\$ 102,871</u>	<u>\$ 102,871</u>	<u>\$ 103,204</u>	